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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 1338

AMP INCORPORATED,
Petitioner,

v.

THE UNITED STATES,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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Petitioner, AMP Incorporated, prays that a writ of certiorari issue to review the judgment of the United States Court of Claims entered in this case on January 19, 1968.

Opinions Below

The opinion of the Commissioner is printed in the appendix[1]. The opinion of the United States Court of Claims is printed in the appendix[2].

Jurisdiction

The opinion of the Court of Claims was handed down on January 19, 1968, and amended February 2,

[1] App., pp. A1-A11.
[2] App., pp. B(i)-B22.

1968. The jurisdiction of this Court is invoked under 28 U.S.C. § 1255(1)[3].

Issue Presented

Does a proper interpretation of the Armed Services Procurement Regulations require the granting of a patent license to the Government when the contract specifically excludes such a license?

Constitutional Provision, Statute Involved and Armed Services Procurement Regulations

The applicable Constitutional provision[4], statute[5] and Armed Services Procurement Regulation[6] are set forth in the appendix.

History

Petitioner is a company with twenty-five years' experience in designing and developing electrical connectors and tools for applying them. Respondent is The United States Government.

In the early 1950's, the Government had a special problem in splicing wire used by the Signal Corps. The wire [called WD-1 wire] had a steel strand to give it greater strength. Unfortunately, the steel strand made the wire difficult to splice.

On May 27, 1950, the petitioner accepted a contract to develop a device for splicing this wire. The contract

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[3] App., p. H1.
[4] App., p. I1.
[5] App., p. H1.
[6] App., pp. D1-D16.

contained all pertinent Armed Services Procurement Regulations.[7] The petitioner did develop such a device and delivered it to the Government under the contract.

The language of the contract[8] [corresponding to the Armed Services Procurement Regulations language] provided that the Government would get a license under any inventions made in compliance with the contract[9] (called "Subject Invention"), and under any patents the contractor owned during the license period[10] (called "background patents"), but expressly precluded a license under any other patent.[11]

This language was first adopted in Government contracts on July 1, 1949, when the United States Department of Defense issued an Armed Services Procurement Regulation Section IX, entitled "PATENTS AND COPYRIGHTS." Paragraph 9-001[12] of the regulations stated:

> "This section *shall* be complied with on and after July 1, 1949; and the contract clauses set forth in this section *shall* be inserted, whenever applicable, in all contracts executed as of a date on or after July 1, 1949." [Emphasis added.]

Petitioner did make a Subject Invention under the contract, received U. S. Letters Patent No. 2,722,146 [Byrem] on said Subject Invention, and delivered to the Government a formal license under said Byrem

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[7] App., pp. D1-D16.
[8] App., pp. C1-C8.
[9] App., pp. C1-C2.
[10] App., pp. C7-C8.
[11] App., p. C2.
[12] App., p. D1.

patent in accordance with the terms of said Article 38(a). Petitioner also delivered the requisite background patent licenses to the Government.

After the contract was completed, the petitioner, having acquired a dominating patent owned by a third party, notified the Government of infringement. The Government chose to ignore the patent and petitioner filed suit. The Government contends now that it is entitled to a license under the after-acquired patent, in spite of the express language to the contrary in the contract. The Court of Claims has ruled in favor of the Government.

In broad, sweeping language, the Court of Claims has held that any grant of a patent license to the Government automatically carries with it a license under all other patents owned or subsequently acquired by the licensor.

THE ARMED SERVICES PROCUREMENT REGULATIONS' LANGUAGE HAS BEEN USED IN EVERY DEPARTMENT OF DEFENSE DEVELOPMENT CONTRACT FOR THE LAST 18 YEARS.

We now ask the Supreme Court to tell us what it means.

Petitioner's Position

Petitioner contends that proper interpretation of the Armed Services Procurement Regulations and the language of the contract require that licenses under related patents involve separate negotiation and, absent fraud, misrepresentation, etc., the Government acquires no rights unless the contract expressly awards them. This is the interpretation the Government placed on

this language when seeking qualified bidders to accept Government contracts[13].

Reasons for Granting the Writ

1. THE DECISION OF THE UNITED STATES COURT OF CLAIMS CASTS A SERIOUS DOUBT ON PATENT RIGHTS INVOLVING ANY PATENTS OWNED BY COMPANIES PRESENTLY OR PREVIOUSLY ENGAGED IN CONTRACTS WITH THE GOVERNMENT.

2. THE INTERVENTION OF THE SUPREME COURT IS NECESSARY TO CLARIFY THE LAW REGARDING THE PATENT RIGHTS OF THE GOVERNMENT VERSUS THE PATENT RIGHTS OF PRIVATE CONCERNS DOING BUSINESS WITH THE GOVERNMENT.

3. THE UNITED STATES COURT OF CLAIMS HAS RULED THAT THE GOVERNMENT IS ENTITLED TO A PATENT LICENSE, IN SPITE OF EXPRESS LANGUAGE IN THE CONTRACT TO THE CONTRARY.

4. THE GOVERNMENT HAS ENTERED INTO CONTRACTS FOR THE LAST 18 YEARS WITH THE REPRESENTATION THAT IT DID NOT ACQUIRE RIGHTS IN CERTAIN PATENTS, AND NOW TAKES THE POSITION THAT IT IS ENTITLED TO SUCH RIGHTS, EX POST FACTO.

Argument

It is axiomatic that contracting parties may enter into any contract they wish, as long as it is not illegal.[14]

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[13] App., pp. F2-F3.

[14] "CLARK ON CONTRACTS," pp. 14, 15 [4th ed., A. Throckmorton & A. Brightman (1931)].

Having made such a contract, its terms are enforceable at law and the contract will not be voided or reformed by the courts merely because one of the parties later discovers that the terms are less profitable than it originally anticipated.[15]

Applying the axiom to the present case, petitioner and respondent entered into a contract whereby the petitioner would develop certain tools for the Government and the Government agreed to pay for the work. The work was completed and the payment was made.

Ancillary to the agreement was a provision relating to patent rights[16]. It divided such rights into three categories:

(1) subject inventions—those made under the contract;

(2) background inventions—those owned by the contractor during the contract period; and

(3) all others.

The agreement expressly gives the Government a right under class (1) and class (2), and expressly precludes a license under class (3).

The invention in suit falls into class (3). Nevertheless, the Government insists that it is entitled to an implied patent license, contrary to the express provisions of the contract.

The language in the contract relating to Patent Rights is language the Contracting Officer for the Gov-

[15] Id. at 5.

[16] App., p. C1-C8.

ernment was required to use under the Armed Services Procurement Regulations. The contract language reproduces, verbatim, Section IX, Paragraph 9-107.1, of the Armed Services Procurement Regulations promulgated on July 1, 1949[17].

The Government's original representation as to the meaning of this language was stated by the Armed Services Patent Policy Review Board[18]. The Board held a number of hearings, receiving the testimony of personnel of various military departments, Armed Services Procurement Regulations Committee, industry and special consultants, and issued its Final Report on August 12, 1952[19]. It is of interest to note that the hearings were held and the findings were made during the contract period. The Board confirmed petitioner's understanding of the contract language.

The Board represented at that time to the public that the proper interpretation of Section IX, Paragraph 9-107.1[20] of the Armed Services Procurement Regulations (the very language of the contract) was:

> "If it happens that the invention is . . . disclosed in a dominant patent of the contractor, the Government does *not*, by virtue of the license under the "subject invention", also have a license under the dominant patent." [Emphasis added.]

Now the Government seeks an interpretation of the contractual language that is in direct conflict with the representation it made during the contract period.

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[17] App., pp. D1-D16.
[18] App., pp. F1-F4.
[19] App., pp. F1-F4.
[20] App., pp. F2-F3.

Subject Inventions

The language of the agreement[21] clearly sets out the definition of "Subject Invention," under which the Government is entitled to a license. According to this definition, it is limited to inventions made in the performance of the contract. Applying this definition, an invention made by a third party, a stranger to the contract, is not a "Subject Invention" and the Government is not entitled to a license under the "Subject Invention" clause. The Government does not contest this.

Background Inventions

The Government's right under the "background inventions" clause[22] limits it to a license under any patents owned by the contractor *during the contract period.* Since the patent in suit was not acquired until *after* the contract period, the Government is not entitled to a license under this clause. This is also uncontested.

All Other Inventions

The invention of the patent in suit, not falling into class (1) or class (2), automatically falls into class (3). The distribution of rights under class (3) is governed by the language:

> "Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a subject invention."[23]

Therefore, under the express language of the contract, the Government is not entitled to a license. However, in spite of the clear language of the contract and the position taken by the Government during the contract

[21] App., p. C1.
[22] App., pp. C7-C8.
[23] App., p. C2.

period that it was not entitled to a license, the Court of Claims has held that the Government is entitled to an implied license.

Public Interest

Petitioner's concern in this matter aside, the Government's change of position regarding the interpretation of the Armed Services Procurement Regulations, has cast a considerable amount of uncertainty in the law of contracting with the Government.

Firms contracting with the Government previously understood that granting or withholding licenses under their patents were matters of negotiation, freely entered into by the parties, in framing the contract. This interpretation has been adopted by the Government for the past 18 years.

The Government now contends (and the Court of Claims supports it) that a license under a patent conveys, by implication, licenses under all other related patents owned or subsequently acquired by the contractor, even in spite of express language to the contrary.

The language quoted from the contract is the result of the provisions of the Armed Services Procurement Regulations, promulgated by the Government to regulate the terms of Government contracts. This language is exactly the language set forth in Section IX, Paragraph 9-107.1, of the Armed Services Procurement Regulations, as issued July 1, 1949.[24]

This language was interpreted by the Armed Services Patent Policy Review Board[25] which, as pre-

[24] App., p. D4.
[25] App., pp. F2-F3.

viously noted, stated that the language was *not* intended to grant a license under dominant patents, emphasized it by saying:

> "This should be clear, for the granting clause of 107.1b states that such a license is not obtained."[26]

Thus we find a remarkable situation in that certain specific language, required by Government regulation to be included in the contract, was interpreted by the Government in 1952, as not intended to grant certain licenses and the Court of Claims' now holding that it was intended to grant such licenses.

Under the Court's ruling, companies which have entered into contracts with the Government, believing that the Government would get no rights under inventions developed at private expense, may find that, contrary to their intent and contrary to the express language of the contract, the Government is the beneficiary of royalty-free licenses.

Conclusion

The decision of the United States Court of Claims expropriates property without compensation. It casts doubt as to what rights the Government has in thousands of patents owned by innumerable vendors doing business with the Government.

The Supreme Court should clear up that doubt by granting certiorari.

Respectfully submitted,

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[26] App., p. F3.

APPENDIX

(A) Commissioner's Decision

(B) Court of Claims' Decision

(C) Contract in suit [Article 38]

(D) Armed Services Procurement Regulation, effective July 1, 1949

(E) Armed Services Procurement Regulation Section IX, 9-107.5(b) . . . of October 1966

(F) Report of the Patent Policy Review Board:

(1) Letter of Transmittal

(2) "Reproduction Rights under Background Patents" [p. 48]

(3) APPENDIX B

(G) Testimony of Deputy Assistant Secretary of Defense

(H) 28 U.S.C. § 1225(1)

(I) U.S. CONST. amend. V